

## Message Text

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ORIGIN STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 EB-08  
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10  
INT-05 L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05  
SS-15 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15  
NSCE-00 SSO-00 ICAE-00 INRE-00 /108 R

DRAFTED BY STR/WEBARREDA:MWB

APPROVED BY STR/AWWOLFF

USDA RSCHROETER

EB/OT JCUNNINGHAM

EA/J HCOCHRAN

STR SSCHWAB

-----097778 130135Z /14

O 122345Z SEP 78

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO IMMEDIATE

USMISSION GENEVA

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USMTN

E.O. 11652: GDS

TAGS: A

SUBJECT: STRAUSS-NAKAGAWA NEGOTIATIONS - SEPT. 5-7

1.SUMMARY: SUBSTANTIAL PROGRESS WAS MADE ON BEEF AND FRESH  
ORANGE NEGOTIATIONS BY THE END OF NAKAGAWA'S VISIT. GAP  
BETWEEN TWO COUNTRIES' POSITIONS ON THESE TWO PRODUCTS  
WAS SIGNIFICANTLY NARROWED, BUT TWO MAJOR ISSUES REMAIN:  
FUTURE LIBERALIZATION OF SEASONAL FRESH ORANGE QUOTA AND  
OF BEEF QUOTA; AGREEING TO INCLUDE AT A MINIMUM MAY IN  
SEASONAL LIBERALIZATION OF ORANGE QUOTA.

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AGREEMENT WAS NOT REACHED ON SIZE OF QUOTA INCREASES  
OFFERED BY JAPAN FOR EARLY 1980'S BUT WE ARE MUCH CLOSER.  
OTHER MAJOR UNRESOLVED ISSUES--WHICH STRAUSS STRESSED  
MUST BE SETTLED BEFORE WE CAN MOVE FORWARD ON CITRUS AND  
HIGH QUALITY BEEF NEGOTIATIONS--ARE JAPAN'S TARIFF AND  
NON-TARIFF OFFERS ON AGRICULTURAL PRODUCTS OTHER THAN

CITRUS AND BEEF, AND BEEF SKIRT TRADE PROBLEM.

CURRENT U.S. PRIORITIES ARE THEREFORE(1) SETTLE BEEF SKIRT ISSUE (WHERE WE WILL NEED STRONG, HIGH LEVEL INTERVENTIONS BY EMBASSY TOKYO);AND(2) PROMPT RESUMPTION NEGOTIATIONS ON THE OTHER PRODUCTS IN GENEVA. ATMOSPHERE AT END OF MEETING WAS POSITIVE, WITH FEELING THAT WE WOULD IN END BE ABLE TO REACH AGREEMENT.END SUMMARY

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2. NEGOTIATIONS WITH NAKAGAWA (ACCOMPANIED BY USHIBA FOR ALL NEGOTIATING SESSIONS) STARTED OFF ON A LOW NOTE TUESDAY WITH NAKAGAWA OFFERING TO SPLIT DIFFERENCE BETWEEN U.S. OFFER OF SETTLEMENT AND MINIMAL JAPANESE POSITION AS FOLLOWS:

BEEF: INCREASE PURCHASES FROM U.S. OF HIGH QUALITY BEEF BY 4,000 MT IN 1984, AND ADDITIONAL 1,000 MT IN 1985 (BRINGING TOTAL PURCHASE FROM U.S. TO 21,800 MT OF HIGH QUALITY BEEF IN 1985)

FRESH ORANGES: INCREASE JUNE-AUGUST SEASONAL QUOTA IN 1981 FROM 22,500 MT TO 30,000, THEN HAVE GROWTH OF 1,500 TONS PER YEAR FOR SEVEN YEARS; INCREASE ANNUAL QUOTA FROM 22,500 MT TO 30,000.

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ORANGE JUICE: INCREASE QUOTA FROM 3,000 MT TO 4,500, GROWTH OF 250 MT A YEAR FOR SEVEN YEARS.

GRAPEFRUIT JUICE: VOLUME OF QUOTA NEGOTIABLE, BUT UNSPECIFIED.

3. AFTER MANY HOURS OF MEETINGS, ON THURSDAY NAKAGAWA REVISED OFFER:

BEEF: INCREASE PURCHASES FROM U.S. BY 4,000 TON'S IN 1980, AND BY ANOTHER 2,000 IN EACH OF NEXT THREE YEARS (BRINGING TOTAL JAPANESE PURCHASES OF U.S. HIGH QUALITY BEEF TO 26,800 MT IN 1983). WORDS USED BY NAKAGAWA WERE THAT "JAPAN WOULD BE PREPARED TO SEE THAT THE ABOVE FIGURES WOULD BE REALIZED". U.S. MIGHT SELL MORE IF DEMAND FOR HIGH QUALITY BEEF EXCEEDED THESE TOTALS. INCREASE WOULD BE IMPORTS UNDER GENERAL QUOTA. JAPAN DID NOT OFFER ANY INCREASE IN HOTEL RESTAURANT QUOTA.

FRESH ORANGES: INCREASES IN JUNE-AUGUST SEASONAL QUOTA IN 1981 BY 10,000 MT; INCREASE IN ANNUAL QUOTA BY

7,500 MT, FOR USE IN MONTHS OF APRIL AND MAY; GROWTH OF 10 PER CENT. NAKAGAWA ALSO OFFERED TO "AUCTION" (POSSIBLY A LOTTERY SYSTEM) IMPORT LICENSES FOR INCREASES IN QUOTAS, AND TO STIPULATE THAT "POSSIBILITIES OF LIBERALIZATION WILL BE EXAMINED IN FUTURE".

ORANGE JUICE: INCREASE QUOTA TO 4,500 MT IN 1981, WITH A GROWTH OF 450 TONS A YEAR FOR SEVEN YEARS.  
GRAPEFRUIT JUICE: INCREASE QUOTA FROM 1,000 TO 2,000 MT, WITH 200 TON GROWTH A YEAR FOR SEVEN YEARS.

4. STRAUSS SAID OFFER WAS NOT ACCEPTABLE. HE STRESSED ABSOLUTE NECESSITY FOR U.S. WAS PRINCIPLE OF CONFIDENTIAL

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LIBERALIZATION (I.E. EVENTUAL ELIMINATION) OF SEASONAL FRESH ORANGE QUOTA AND OF BEEF QUOTA. ALSO MONTH OF MAY HAD TO BE INCLUDED IN SEASONAL LIBERALIZATION.

5. AS TO TONNAGE BEING OFFERED, STRAUSS SAID THIS WAS IMPORTANT BUT NOT AS IMPORTANT AS LIBERALIZATION ISSUE. TOTALS ON ORANGES MIGHT BE MORE ACCEPTABLE WITH HIGHER, PERHAPS 15 PER CENT (INSTEAD OF 10 PER CENT) GROWTH FACTOR. BEEF TONNAGES MIGHT BE ACCEPTABLE IF INCREASES WERE 1980-3,000; 1981-3,500, 1982-4,000; 1983-4,000 (MAKING U.S. EXPORTS IN 1983 TO JAPAN; 31,800 MT)

6. IN SEPARATE MEETING WITH WOLFF, MCDONALD AND HATHAWAY, DIRECTOR GENERAL IMAMURA PRESENTED SUPPLEMENTARY TARIFF OFFER ON PRODUCTS OTHER THAN BEEF AND CITRUS. (HAND CARRIED TO TOKYO BY WILLIAMS, TO GENEVA BY MCNAMARA.) OFFER WAS MINIMAL. THE ADDITIONAL TRADE WEIGHTED DEPTH OF CUT ON ITEMS IN U.S. PRIORITY LIST OF AUGUST 18 WAS 1.6 PER CENT (USING 20 PER CENT AS ESTIMATED AVERAGE VARIABLE LEVY ON PORK, ON WHICH NO OFFER WAS MADE); OR 3.4 PER CENT, EXCLUDING PORK FROM CALCULATION. NO REDUCTIONS WERE OFFERED IN NTM'S WOLFF EXPRESSED STRONG DISAPPOINTMENT WITH OFFER, SAID THERE WAS NO BASIS FOR SETTLEMENT, AND SAW NO REASON TO DISCUSS THAT OFFER FURTHER.

7. STRAUSS STRESSED THAT PREREQUISITES FOR AGREEMENT ON BEEF AND CITRUS WERE IMPROVEMENTS IN JAPAN'S TARIFF AND NTM OFFERS ON THE "OTHER PRODUCTS, AND RESOLUTION OF THE BEEF SKIRT ISSUE. NAKAGAWA AGREED TO FURTHER NEGOTIATIONS DURING SEPTEMBER (PROBABLY IN GENEVA) ON JAPAN'S AGRICULTURAL TARIFF AND NTM OFFER (NO DATE SET). HE ALSO AGREED TO HAVE STAFF LEVEL DISCUSSION OF SKIRT CONFIDENTIAL

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ISSUE. MEETINGS ENDED ON AGREEMENT THAT PROGRESS HAD BEEN MADE, AND DISAPPOINTMENT THAT MATTER COULD NOT BE RESOLVED AT THIS TIME.

8. ACTION; (1) IMMEDIATE TASK IS TO DEAL WITH SKIRT ISSUE, WHICH HAS NOW BEEN RAISED BY STRAUSS WITH NAKAGAWA. WE SHOULD MAKE EVERY EFFORD TO RESOLVE IT; A MAT;ER WHICH PERMITS CONTINUANCE OF THIS TRADE WITHOUT DISPLACING OTHER BEEF TRADE. WE MUST WORK QUICKLY BECAUSE OF CURRENT JAPANESE DECTIONS TO CUT OFF THIS TRADE BY SEPTEMBER 30, AND NEED TO CLEAN IT UP TO MOVE FORWARD WITH MTN NEGOTIATIONS. NEXT STEP IS MEETING SEPTEMBER 12 OR 13 BETWEEN AG ATTACHE WILLIAMS AND MAFF. MEETING ARRANGED WHILE WILLIAMS HERE IN WASHINGTON. (2) PLEASE STRESS TO APPROPRIATE GOJ OFFICIALS THAT WHILE BEEF AND CITRUS ESSENTIAL FOR MTN, WITHOUT A RESPONSIVE OFFER ON OTHER AGRICULTURAL PRODUCTS MTN PACKAGE CANNOT BE CONCLUDED. THERE IS NO INDICATION THAT U.S. REQUESTS, MOST OF WHICH SHOULD NOT BE VERY SENSITIVE FOR GOJ,HAVE BEEN SERIOUSLY CONSIDERED. CHRISTOPHER

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## Message Attributes

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